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## FISCAL IMPACT REPORT

SPONSOR: HAFC DATE TYPED: 03/20/03 HB CS/774&SB797/aHF1#1&2  
 SHORT TITLE: Municipal Detention Adult Correctional Officer Retirement SB \_\_\_\_\_  
 ANALYST: Gilbert

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
			\$0.1 See Narrative	Recurring	PERA
			\$0.1 See Narrative	Recurring	Local Government

(Parenthesis ( ) Indicate Expenditure Decreases)

Relation to SB 577, HB 116, HB 611, SB 591

### SOURCES OF INFORMATION

LFC Files

Responses Received From  
Public Employees Retirement Association (PERA)

### SUMMARY

#### Synopsis of HF1 Amendment #2

House Floor Amendment #2 makes municipal detention officer member coverage plan 1 applicable to municipal detention officer members on the “later of July 1, 2004” or the first day of the calendar month following certification of the election.

#### Synopsis of HF1 Amendment #1

House Floor Amendment #1 reduces the required service credit earned for municipal detention officer members to qualify for retirement from “three years” to 18 months under coverage plan 1. The amendment also reduces the required service credit earned for an adult correctional officer member to qualify for payment under the coverage plan 1 from “three years” to 18 months “subsequent to July 1, 2004.”

Synopsis of HLC Amendment

House Labor and Human Resources Committee amendment to House Bill 774, corrects non-substantive technical errors on page 8, lines 24 and 25, and page 10, line 8.

Synopsis of Original Bill

House Bill 774 adds a new Public Employees Retirement Association (PERA) coverage plan for municipal detention officers employed by an affiliated-public employer, other than the state. Municipal detention officer plan 1, if approved by an election of the affected membership, would enhance service credit benefits by 20 %, sets a 3% percent pension factor, and an 80% of final average salary maximum pension annuity.

Contribution rates proposed in this bill are 16.65 % of salary from employees and 16.65 % of salary from employers, for a total of 33.3%. For detention officers currently covered by Municipal General Plan 3, this represents a 3.5 % increase in employee contributions and a 7.5 % increase in employer contributions.

Members must participate in municipal detention officer plan 1 for three years prior to being eligible for the improved retirement benefits.

Significant Issues

Currently, statewide detention officers employed by public-affiliated employers other than the state are covered under municipal general coverage plans 1, 2 and 3. All statewide detention officers are eligible to retire at any age with 25 or more years of service credit and, depending on which plan they are under, pay between 7% and 13.15% of their salary in contributions. Employers pay between 7 % and 9.15% of salary in contributions, depending on the relevant coverage plan.

**FISCAL IMPLICATIONS**

PERA's actuary completed a study to determine the actuarial cost of the increased benefits contained in HB 774. The actuaries calculated an 11 % increase in contributions would be required, in addition to what is currently paid, to adequately fund the enhanced benefits for detention officers now covered by municipal general plan 3.

Since HB 774 mandates the required 11 % contribution increase, this new plan would be adequately funded. However, this bill could result in significant fiscal impact to the local governments who adopt this plan.

**ADMINISTRATIVE IMPLICATIONS**

If this bill is adopted, PERA must implement the new plan, amend its regulations and update member informational publications. PERA believes that it can absorb this impact.

HB 774 adds another coverage plan to the 27 coverage plans currently administered by PERA. Since PERA is in the process of implementing a new computer information system, the addition of another coverage plan may result in a change order to the existing vendor contract. PERA

would be required to absorb the costs of this change.

**TECHNICAL ISSUES**

Page 3, line 16, removes “a state policeman” from the definition of “hazardous duty member.” According to PERA, “State policeman” is considered a “hazardous duty member” for federal Social Security Act purposes.

**RELATIONSHIP**

HB 116 and HB 611 improve retirement benefits for hazardous duty members.

SB 577 creates a new municipal detention officers retirement plan.

SB 591 is a functional duplicate of this bill.

RLG/lr/njw